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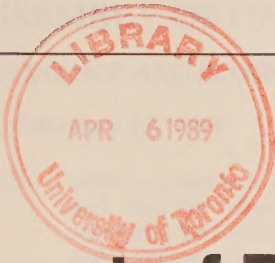
ONTARIO. LEGISLATIVE ASSEMBLY
Standing Committee on
FINANCE AND ECONOMIC AFFAIRS
D E B A T E S

34th Parliament
1st Session

Feb. 1989



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Hansard

Official Report of Debates

Legislative Assembly of Ontario

Standing Committee on Finance and Economic Affairs
Estimates, Ministry of Treasury and Economics

First Session, 34th Parliament
Thursday, February 23, 1989

Speaker: Honourable Hugh A. Edighoffer
Clerk of the House: Claude L. DesRosiers

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Thursday, February 23, 1989

The committee met at 10:03 a.m. in room 151.

ESTIMATES, MINISTRY OF TREASURY AND ECONOMICS

The Vice-Chairman: I am going to take the prerogative of recognizing a quorum. For those individuals who will be viewing us on television, this is the standing committee on finance and economic affairs. I am the vice-chairman Harry Pelissero. Today we have with us the Treasurer (Mr. R. F. Nixon) for the estimates of the Ministry of Treasury and Economics.

What I would plan on doing, once the Treasurer has finished his initial remarks and we have heard the remarks from his senior officials, is to allocate the time we have left this morning between the three parties and start in rotation with the New Democratic Party, the Progressive Conservatives and then anyone from the Liberals who wishes to make either questions or comments.

Hon. R. F. Nixon: Committee members and ladies and gentlemen, I am looking forward to the discussion of the estimates of the ministry. You are all familiar with the responsibilities of Treasury. I thought I would spend a few moments assisting you to become acquainted with the leading public servants in Treasury.

Just in that connection, I want to introduce first the deputy minister, Mary Mogford, who is well known to many of you. Her career in the government of Ontario has been quite extensive and she is a highly respected public servant. She came to Treasury from the Ministry of Natural Resources, where she served as deputy minister under those circumstances. She has been Deputy Treasurer for about 18 months and I am very pleased with the leadership she is giving the staff. There are approximately 446 people employed in Treasury. That number has gone down slightly over the last three years, in spite of my best efforts, but we feel we are quite well served.

Just as an introduction, I thought I might ask Ms. Mogford to introduce the assistant deputy ministers who will be assisting us in answering your questions. I should point out that senior staff are here in reasonably large numbers, the people I deal with day by day. In that connection, I feel very well served indeed. I know that you people,

either as critics or as MPPs contacting Treasury, feel that the responses from Treasury are reasonably timely and are done in a professional and disinterested way that, frankly, I am pleased with and proud of.

Ms. Mogford, perhaps you would make some small comment about your own responsibilities and introduce the assistant deputies.

Ms. Mogford: Treasury, as you know, has a wide range of functions. It is interesting to think that the first Treasurer tabled a budget in 1867 with projected revenues of \$1.8 million. You can see the rather extensive shift when you think that the 1988-89 budget amounted to \$37.9 billion. We have come a long way in 120 years.

We have our senior staff with us, as the Treasurer said. The assistant deputy ministers are at the table and one is seated at the back. Michael Gourley is the assistant deputy minister in the office of the budget and intergovernmental finance. Dr. Robert Christie last month took over from Bryne Purchase as Ontario's chief economist and assistant deputy minister in the office of economic policy. Larry Leonard is assistant deputy minister for tax reform. Don McColl is assistant deputy minister in the office of the Treasury. Sharon Cohen is the executive director of administration.

The Ministry of Treasury and Economics is responsible for the fiscal, economic and regional policies of the Ontario government. It also develops and monitors the provincial budget, and as I mentioned, the 1988-89 budget amounted to \$37.9 billion. We have approximately 460 staff working in the four major divisions represented here today and in 1987-88 the ministry had a budget of \$4.3 billion. At the Treasurer's request, I would like to ask each of the assistant deputy ministers to briefly speak to his or her responsibilities, starting with Michael Gourley.

Mr. Gourley: The office of the budget has three separate branches which are responsible for fiscal planning and the monitoring of the budget once the budget has been tabled, the operations of the budget, forecasting both the revenues and expenditures and working closely with Management Board of Cabinet and the Management Board secretariat in assessing and evaluating expenditure proposals from ministries, and in working with ministries as well in the forecast of

expenditure needs for the province's expenditure budget.

We have as well the taxation policy branch. Its function, which I think is somewhat self-evident from its title, is to develop and present options for revenue raising and taxation changes that the minister might consider in developing the budget and developing the overall fiscal strategy of the province.

The third branch is responsible for inter-governmental finance policy and income support policy, dealing with the federal government and provincial-municipal financial policy issues, including local government finance and education finance at the local level. It is also responsible for pension policy matters, review of pension policies and has been recently involved in particular in discussions with the teachers and public servants on resolution of the pension issues for those two groups. It also has policy responsibilities for income support, income maintenance programs and policies within the Treasury framework, within a perspective of the overall fiscal plan the government has developed. I think that is sufficient.

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Dr. Christie: The office of economic policy has a broad range of responsibilities in the economics area in terms of co-ordinating policy, providing economic analysis and policy advice to the Treasurer and to the government as a whole. There are three branches in the office that work towards discharging this responsibility.

The economic forecasting branch provides a wide range of economic forecasts, including those you have seen in the economic and fiscal outlook. It also provides economic analysis on a number of policy issues confronting Canada and Ontario and employs that analysis as the basis of policy advice and commentary.

The sectoral and regional policy branch, as the name suggests, deals with sectoral issues, industrial sector issues for the province, and provides advice on policy developments and economic developments in those sectors. The regional nature of the branch's work focuses on developments across the province and the distribution of economic activity.

The third branch is our demographics and social economics branch, which provides demographic outlooks for the province as a whole and for regions of the province, and provides analysis and policy advice on a wide range of social issues as they affect the economic policy environment in the province.

Mr. McColl: Similar to the other two divisions, the office of the treasury has three branches and roughly 75 to 80 people. It is divided up into operations: finance operations, which is a cash management operation co-ordinating the revenue and expenditure flows of the government in total across all ministries in funding the cheques that go out each day. We also deal with the surplus funds we have on hand from day to day and have an investment portfolio.

That branch is involved in the borrowing activities for both the province and Ontario Hydro. They service the debt to make sure the investors receive their interest and principal at maturity and transfer securities from one investor to another as required. They also provide a safekeeping service for the government in total; that is, all ministries and agencies with negotiable documents are kept in safekeeping in that group.

We have a finance policy group, which is involved in the examination of borrowing strategies, the use of the guarantee by agencies or other ministries of government. They examine foreign capital markets and provide investment strategy advice for the short-term portfolio. They also have an active role in the monitoring of Hydro and supplying information to investors, and would supply information to the famous credit-rating agencies.

The third branch is the information and accounting policy branch. They are the record-keepers of the government and provide the Legislature with the annual report and the public accounts submissions. They have a function of providing consistency for policy in accounting matters across the ministries and agencies of government, and they have a role in the control of the voted appropriations each year.

Mr. Leonard: The tax reform task force is a joint Ministry of Revenue and Treasury effort. The principal function is to co-ordinate and manage Ontario's response to what has now been an approximately two-and-a-half-year federal tax reform exercise.

We were set up in October 1987. We have a sunset nominally of March 31, 1989. However, the process has been a little slower than that, so we are likely to carry on for some months after that. We have a total staff of six and a budget of about \$650,000. Our activities in the last year principally have focused on stage 2 of federal tax reform, which is the sales tax reform effort.

Ms. Cohen: The administrative services division supplies financial support and general

administrative services, not only to Treasury and Economics but to seven other ministries and offices of the government. These are three ministries, Energy, Intergovernmental Affairs and Skills Development; two secretariats, the Management Board secretariat and the human resources secretariat; and two offices, the Office of the Premier and the Cabinet Office.

The division itself consists of six branches: finance and management services, communications, internal audit, supply and office services, human resources and the library service.

Hon. R. F. Nixon: Thank you. If I may just make a point, naturally the Treasurer, whoever he or she is, and his staff work very closely with the public service. I think it would be interesting to note that all of the people who have been introduced and who have spoken here from the public service side were advisers and operating in Treasury in a previous administration. I just want to point out that there is a substantial continuity in the quality of the advice that is available to the government in this connection.

From the standpoint of the Treasurer, of course, I have a political staff, and since many of you call over to those people for information, I think you should know that my executive assistant is Karen Pitre, who is sitting in the front row, if you will wave your hand around, Karen. She is the person on the other end of the phone.

Joe Deschênes Smith is my legislative assistant, and he is the fellow who sits under the gallery there and is available when somebody wants some information. He can get it as quickly as anyone.

You might also be interested to know that Joe Smith's father used to be an MPP here, a very good friend of mine, Dick Smith, the member for Nipissing, who is now deceased, so Joe and I have a close personal connection going back a number of years. As a matter of fact, I think during one of Dick's elections—he usually arranged to have a baby at every election campaign—Joe was one of the major issues a few years ago in more ways than one.

In dealing with the staff, Sharon Cohen administers the operation of the Treasury department and sees that our bills are paid and that we are functioning in a proper way according to our administrative manuals.

Mike Gourley, beside her, works on the operation of the budget. He and his staff are very hard-working indeed, as is everybody working on the budget. The consideration of a wide variety of proposals, both budgetary and other policy, really does require the commitment of a

lot of energy, both mental and physical. The hours worked are really quite amazing and I am very impressed by this and very grateful that these people are interested enough to undertake it.

Quite often, if a question is put to the Treasurer, one of the easiest answers is that this matter will be under consideration or is under consideration, and believe it or not, these matters really are under consideration. Michael, with his staff, normally has to provide me with a piece of paper, giving the pros and cons on what would work and what would not work, for my advice.

Dr. Robert Christie is the successor to Dr. Bryne Purchase, who has gone into the private sector. As his principal lieutenant previously, they were responsible for the grey book, so-called, which was the projections for the economy of the province during the next year. Those numbers, which are as good as we can get and we feel are as good as are available anywhere, are the basis upon which we make our projections for expenditure and the requirements for any tax changes, and how we feel business is going to expand and at what rate. This is really one of the cornerstones of all government policy, and while many ministries have an internal capability for economic projection, still, all those projections are based on what comes from the office of economic policy and Dr. Christie is responsible for that.

Don McColl, as indicated, has the Treasury responsibility of actually looking after our assets and seeing that our guarantee to Ontario Hydro is properly fulfilled. In this connection, you may have heard my brief comment in the Legislature earlier this week that we had borrowed \$500 million in the Euro-Canadian market. It was on his advice, in conjunction with our syndicate of financial institutions out of Toronto and Ontario Hydro, that this decision was taken.

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While \$500 million is a colossal amount of money, this goes to support Ontario Hydro, which will be borrowing about \$3.3 billion this year, some of it to roll over its previous account, but also of course to pay for the capital expansion of Hydro's plant. Most of that, at the present time, is to build the Darlington nuclear generating centre which, when completed, I believe will be one of the largest, best and safest in the world. It is interesting that, over the past eight years, it has been the largest construction site in North America. When it is completed, with the interest capitalized, there will be a commitment of between \$11 and \$12 billion in this connection.

Larry Leonard, who is sitting at the end of the group of assistant deputy ministers, has had the very interesting responsibility of heading our task force in the working group that co-operates with the other provinces and the government of Canada in looking at alternatives for tax reform, which has largely been initiated by the government of Canada and Michael Wilson. Last year's budget reflected, to some extent, our somewhat additional difficulties in funding our programs with the reduction of the established programs financing situation.

Certainly the thing that is occupying our attention in time now is the proposal from the government of Canada to establish a new sales tax system, generally called the national sales tax, which the government of Canada said during the recent election campaign that it intended to introduce. There was no maybe about it.

The Progressive Conservative government was re-elected, so there is an indication that the people are aware of that intention and understand it will come forward. We do not know what will be in Mr. Wilson's budget, but there is every reason to expect there will be a statement of policy regarding the national sales tax. At that time, there would every reasonable expectation that this province, through the Treasurer and through the head of the government, would indicate what our involvement in that connection would be.

I have a feeling that some of the members of the committee might want to pursue that. It is certainly a very interesting and important topic. As you know, I have been on both sides of it, and we will see how that comes out as the discussion continues. I thought it was worth while that the members of the committee get to know a little bit the people I work with on a daily basis. It is a great experience for me and I say again that I feel I am well served.

My other responsibilities involve chairing cabinet committee on economic policy, which is in session right now. I was there for the first hour. It continues under the vice-chairman, our friend and colleague Vincent Kerrio. The system we use is that matters of economic policy come from the various ministers. They are reviewed by the deputy ministers and come before the committee for general consideration and review. We have access to quite a wide variety of additional expertise that comes in to advise us on these proposals. We examine it as carefully as we can.

The committee has, I believe, 15 ministries. You can imagine that the discussion gets quite wide ranging and sometimes intense. The deputy

ministers for each of these 15 ministries sit on the other side of the table and are there to assist the ministers in their responses. Of course, they have every opportunity and responsibility to express their own views as these matters are discussed, so it is an extremely interesting committee meeting.

The things that are approved go from that committee directly to cabinet for further consideration or they go to Management Board where the cost, particularly of the increased personnel who will be needed to support a new program, is considered and the actual costs, both in the year of implementation and in the long range, are given the consideration that Management Board must give. It ends up in cabinet. Some of you around this table have had the experience of that, and I am sure all of you at some time will.

Mr. Laughren: If some of the old ones would make way.

Hon. R. F. Nixon: I am a living example of what can happen if you hang around long enough.

Cabinet often reviews the matter quite extensively. I usually find that if there is an argument in committee, there will be an argument in cabinet as well. We try not to reproduce all of the discussion, but sometimes there is no alternative. During the week there is plenty of talk and palaver on these various issues. But I am sure you would all agree that it has been remarkably successful as new issues and new concepts are brought forward and eventually presented to the Legislature for approval or disposition otherwise.

Basically I feel that the system is set up in an effective and efficient way. Sometimes it falters because of a personal inadequacy at the political level, but this is something that is also an intrinsic value of the democratic system because it in fact exists to serve the people and it operates with the abilities of individuals and nothing else. I would say in closing that this is the structure we have for responding to policies and introducing new policies in the fiscal and planning area. In that connection, most of the members know and probably agree that the work of the ministry is extremely important.

As I think I said before, recently there has been some additional responsibility through the cabinet committee on economic policy in that the deputy ministers assigned to the responsibility of advising on the development of the greater Toronto area report to the committee on economic policy through the Treasury and through the Treasurer, but essentially, in my view, only because I am chairman of that committee. In fact,

the concepts of developing the infrastructure for the greater Toronto area and having some input as to its general planning and its goals are a cabinet responsibility and lie with all of the ministers because they involve all of us.

With that introduction, I look forward to hearing the comments from the critics and my colleagues in the Liberal Party. I can assure you that Ms. Mogford and our staff will do the very best they can to give whatever information is needed. I am sure that they will be able to satisfy any lingering doubts that there may be in the efficacy of our policies.

The Vice-Chairman: The clerk has informed me that the normal routine for estimates procedures is that the two opposition critics are given a time for statements and then we go into rotation with respect to questions. So I will ask Mr. Laughren if he has an opening statement.

Mr. Laughren: Yes, I do. I appreciated the Treasurer's opening remarks and I agree with him that his ministry has been well served by the people he introduced this morning, starting with his deputy and including the other public servants.

I particularly appreciated the introduction of Mr. Smith. I served with Dick Smith, as did the Treasurer. As a matter of fact, the Treasurer's caucus would be well served if Mr. Smith were still there to add a more humanitarian component to the government. I liked Dick Smith very much. He was a good member who served his constituents very well.

I dropped into this committee because I serve on another committee. I do not get to serve on the economic affairs committee very much. But I did drop in a couple of weeks ago and was questioning some of the Treasury officials about housing and land speculation. As a matter of fact, I think I see one of the gentlemen here this morning. I was taken aback by how little had been done on the whole question of the effect of speculation on the prices of homes in Metropolitan Toronto. I think I heard the Treasurer say the deputy minister for Metro reports to him. Is that Gardner Church?

Hon. R. F. Nixon: Yes.

Mr. Laughren: I think it is appropriate that Gardner Church, who is the architect of the new rent review legislation in the province, would now report to the Treasurer. I think that there is something ironic and delicious about that fact, as I am sure he will be keeping an eye on rents and house prices in Metro.

Hon. R. F. Nixon: Did you say "ironic and delicious"?

Mr. Laughren: Yes, both. I think it is absolutely delicious that Gardner Church, who is the architect of a completely incomprehensible rent control system, is now determining the economic development future for Metro Toronto.

Hon. R. F. Nixon: It is only incomprehensible to some people.

Mr. Laughren: It is incomprehensible to people who launch a rent review appeal or see a landlord ask for 10 per cent and be awarded 15 per cent. It is truly remarkable. That is incomprehensible to most tenants, Treasurer. I know you have probably never been a tenant, but it is a fact of life.

I worry about the province in a time when the economy is booming. Particularly in Metro it seems to be bursting its seams; as a matter of fact, in a lot of southern Ontario. I worry about us developing two Ontarios. I represent an area that is the other Ontario: The Nickel Belt constituency consists of a lot of mining and forestry and that is about it. When I look at the wealth in Toronto and compare it to that in my constituency, it is truly remarkable. I was trying to do some comparisons, but it is very difficult to get numbers that are up to date.

I was looking at the numbers in the 1981 census, but it is almost meaningless when you look at 1981 and try to compare, for example, average incomes, and you can just imagine what it would be if you moved this forward with the inflation factor, plus the added increases of what is happening in Metro with homes and incomes. As an example even back in 1981, the average family income in the area I represent, according to Statistics Canada, was \$25,000 and in Markham it was \$40,000. I am sure the difference has widened since then in view of the fact that there have been a lot of problems in northern Ontario since that point.

Everything from the incidence of low-income families in the north versus the south to the quality of housing, even things like the number of bathrooms, homes without any inside bathrooms and so forth, still occur in this province of ours. I think there is a danger of allowing this province, and in particular this city we are in today, to develop the way some cities in the United States have developed.

I could not help but think, when the debate was going on about the relations between the police and the black community, that this province had better be extremely careful. It is better, in my

view, that we have confrontations now and differences with the establishment and the police forces now in order to ensure that in the future the confrontations are not between the police and an economic substrata, if you will; in other words, the poor in our community. If we do not confront that issue now, others will confront it later. I feel very strongly about that.

One of the things I feel proudest about in this country is that we have avoided that trap of the enormous income differences there are south of the border. Part of that is the medicare thing and part of that is just a different view of the world, a more collective view of looking after our people. That is one of the reasons I feel good about this country and this province, but I really do worry that that is slipping away from us. It costs a lot to prevent it but it does not cost as much as to try to retrieve what we have now if we do not do something to prevent it now.

I really am concerned about that. I think you need only look at Metro Toronto to see that writ large in the housing market. We know that ordinary people simply cannot live in downtown Toronto any more. I think we keep telling the Treasurer every year that this is what is happening, and every year nothing substantial is done to alter that.

I think housing is one of the best barometers of what is happening in a community. Some of the numbers that I am going to give this morning are not new, but I think it is appropriate that they all be put together in one presentation. Besides, we are spending the morning with number crunchers and bean counters, so what better occasion to lay out a few statistics?

In Toronto the average price of a resale home is over \$254,000, more than a quarter of a million dollars. That is resale, not new homes. It is up 135 per cent since this government came to power in 1985. In Ontario as a whole, the average is \$180,000 and change: that is up 113 per cent. So it is not just a Metro Toronto problem.

The Treasurer and the Premier (Mr. Peterson) have been trying to tell us, in response to questions in the Legislature, that "It is a sweet headache for Metropolitan Toronto. That is what happens when you have a world-class city." That simply is not the right response. It is a province-wide problem; it is not simply in Toronto. As a matter of fact—I commented that those are resale prices—the average price of a new detached house in Toronto is \$352,000 and change. I never thought I would be reading numbers of this size, but here we are. By the

way, that is an increase of almost 150 per cent since this government came to power in 1985.

According to the numbers we have tried to work out, to buy at the average resale price—I am talking about the new ones now—which is \$254,000 in Toronto, a family would need an annual income of over \$92,000. That is with a 15 per cent down payment of \$38,000. A family now needs a minimum of a \$92,000 annual income to qualify for that mortgage.

I hope we have not given the impression that a speculation tax would solve all Ontario's problems. When we are trying to focus on a particular problem, sometimes we can give the impression as politicians that that is the answer to everything. Obviously that is not true, but I really do believe that the land speculation tax would send a very strong signal out there. I want to spend a few moments on that.

What we have proposed, so that everyone understands what we mean by a speculation tax, is that this would be on nonprincipal residences. I do not think this should apply to someone who lives in his own home. That is not what we are talking about. On nonprincipal residences that are sold within two years, for the first year the speculation tax would be 100 per cent of the capital gain and for the second 12 months it would be 75 per cent.

This does not prevent anyone from living in his own home and selling his own home at market value. It does not affect that at all. This is simply to address a problem of people who buy homes and sell them for a quick buck. That is what it does. All this is designed to do is to cool off that part of the market, not to stop people from selling their homes at market value and then moving on and buying another home at market value, if they so wish, either in Toronto or some other community.

It is not an attempt to stop people from buying and selling their homes at all. It has absolutely nothing to do with that. I think the Treasurer got himself caught, in that he said almost two years ago now that the increase in the price of housing had peaked. That was when the average price was about \$180,000, I think. Now he seems to not want to go back on that comment and admit that he was wrong. I think the Treasurer is not using all the arrows in his quiver, if you will, that are there to deal with this very serious problem.

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I was doing some checking on flipping of land, because it is not just homes; it is also vacant land. We used an example for the Treasurer where the federal government sold a 17-hectare site—17

hectares is between 35 and 40 acres, if I understand how to change hectares to acres—at Wilson Heights Boulevard up near Sheppard Avenue in March 1987, two years ago, to Rhomcorp Development Ltd. for \$14.28 million. The federal government sold it to them. Two months later, the company resold the property to Bramalea Ltd.—we all know Bramalea—for \$19.8 million. That is an increase of 38.7 per cent in two months, or a profit of \$5.52 million.

That is the kind of flipping we think should be taxed as speculation, because nothing was added to that land. There was no value added to it. There was simply an enormous profit made.

That is one of the reasons we objected to the Treasurer's argument that maybe we should increase the land transfer tax. We did some numbers on what that would do. The Treasurer said he would not be so bold as to double the land transfer tax; perhaps he would consider increasing it—I do not want to put words in his mouth—but he would not double it. Even using the extreme example of the land transfer tax being doubled, I would like to show why this would have no bearing on it at all.

If the province doubled the land transfer tax, that speculator, Rhomcorp in this case, would pay \$425,000 in land transfer tax, as opposed to \$212,000. In other words, it would double their land transfer tax. Even if the land transfer tax were doubled from \$200,000 to \$400,000, it would still leave them with a speculative profit of over \$5 million on that one piece of property of about 35 acres in two months. That is why the land transfer tax is not the answer to cooling off house prices in Metro.

It penalizes everybody. It penalizes those families that I said at the beginning we were not talking about trying to discourage from selling their homes and buying other ones. The land transfer tax is not the way to do it.

Hon. R. F. Nixon: Do you want to talk about the corporation income tax they paid?

Mr. Laughren: On what?

Hon. R. F. Nixon: On that profit.

Mr. Laughren: Sure, but they do not pay \$5 million.

Hon. R. F. Nixon: A 100 per cent confiscation is your view, not mine.

Mr. Laughren: I do not think a 100 per cent confiscation of a speculative profit in two months on land is anything that even a Liberal should be ashamed to endorse.

Hon. R. F. Nixon: I am not ashamed.

Mr. Laughren: As a matter of fact, the Tories, who are supposed to be to the ideological right of the Treasurer—I sometimes wonder—introduced a tax back in 1974. I do not think they were accused of imposing anything confiscatory on the speculators.

Hon. R. F. Nixon: No, but it certainly stopped house building. All right, I will quit.

Mr. Laughren: It stopped house building, did it?

There is an economist in this province—the Treasurer probably knows him and perhaps even dines with him, I do not know—named Larry Smith. I do not know whether the Treasurer has come across this gentleman or not, but he is certainly not known to be supportive of intervention. He is a very strong believer in the marketplace, as is the Treasurer. He did a report on the tax that was imposed by the previous government back in 1974.

In 1974, when the tax was imposed by the previous government, home prices were increasing at a rate of 30 per cent a year in Metro. Once that tax was imposed, the increase dropped to nine per cent. Would that not be nice in Metropolitan Toronto now, if we could cool it off that way?

Hon. R. F. Nixon: Tell us what happened to housing starts.

Mr. Laughren: If you want a global presentation here, I am quite happy to get into it.

When the previous government brought in rent controls in 1975-76, that was all it did. It did not bring in a massive housing program at the same time. I do not know how shortsighted one can be, to think you can impose rent controls in Ontario without at the same time saying, "This is going to cool off the development industry somewhat; therefore we have to make sure we put in place a housing program."

In this province, first, the Ministry of Housing is underspending its social housing budget. Second, the amount of money this government allocates to housing is, I think, a third of what it was in the late 1970s by the previous government as a percentage of total government expenditure.

I do not know what you expect to happen in the province when you impose rent controls and do not do anything even to keep up with the building of affordable housing in the province. You are begging for it. It is terribly predictable. Anyway, I do not want to get into a rent control argument.

Mr. Smith had the following to say. He really is a noninterventionist, I can assure you. I have

been on committees where Mr. Smith made presentations to us, as a matter of fact on the rent control legislation. This is what Mr. Smith had to say about the tax back in 1974:

"The act will sharply reduce activities that would be subject to the tax. In particular, it will virtually eliminate short-term nondevelopment speculation in land and residential markets and reduce short-term investment in residential real estate. Second, the act will initially lower residential real estate prices and reverse destabilizing expectations. Third, the act will initially reduce the value of residential investment properties, especially apartments and other lower-cost projects not easily convertible to owner-occupancy use. Fourth, the act will reduce the price of land for future development."

That is not coming from the socialists; that is coming from Mr. Smith. If you ever call him a socialist, you better have a bodyguard near you.

I think the Treasurer is locked into a view of the world that says "We are not going to intervene in the marketplace like this" even though the previous government did it and even though the evidence is there that it worked. For the resale price of homes in Metro to drop from a 30 per cent increase to a nine per cent increase is one thing, but for the Treasurer to say it did not work is completely another matter. I do not know how the Treasurer can sustain his argument the way he seems to think he can.

I mentioned earlier that being on another committee it is hard to attend all the meetings of this committee, but I was browsing through, as part of my regular evening reading, the Hansard of the standing committee on finance and economic affairs, this very committee, and there was the Consumers' Association of Canada making an appearance and giving testimony to this committee. Mr. Delaney, who is with the Consumers' Association of Canada, had this to say about capital gains and housing:

"I submit that it is quite significant when we consider that it is estimated that fully 60 per cent of the condominium units down at Harbourfront have been bought on speculation by people who are, in effect, speculating. As it affects speculators, surely a short-term capital gains tax that would tax properties that are flipped before possession is taken would in my view make a major contribution to dampening the effects of inflation on property values in Metropolitan Toronto."

He touches on something I find most offensive; that is, the flipping with possession never taken. I find it really offensive that something as

essential as housing is being treated this way, like a piece of meat or like speculating on stock market futures. It is really offensive that these people are buying this property, never taking possession, and then selling it.

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That has nothing to do, it seems to me, with building the kind of society we want. I know it intervenes in the precious capitalist free-enterprise system, but that should be nothing new in our society. I said earlier this is one thing I like about this country, that we have not hesitated to intervene. Yet, in this one area, there seems to be some kind of collective mental block by this government to intervene in the marketplace. I really wish the Treasurer, who has the ability and the authority to intervene, would do so.

The Ministry of Housing sure is not the one to intervene. It is not even spending the money that has been allocated to it.

The Treasurer, instead of dealing with a speculation tax, muses on the land transfer tax, which penalizes everybody. Also, when I was going through the numbers in Ontario Finances, I think your land transfer tax is the fastest-growing tax revenue in the province of all the different kinds of tax revenues.

Hon. R. F. Nixon: We raised the rates.

Mr. Laughren: Yes. Mind you, you did all right with the retail sales tax. It is up 23 per cent.

Your land transfer tax is up enormously anyway, so it is not as though you have a revenue problem there. When I went back and looked at how much the land transfer tax has gone up, I found that when you came to power, it was bringing in around \$130 million in 1985, I believe. Now it is up to \$560 million. You are a grasping Treasurer.

You talk about that, which I think is inappropriate, and then you talk about the lot levies, which is another pet idea of the Treasurer, which he pretends will be paid by the developer, but we know how quickly that would be passed through to the purchaser.

In a study the Toronto Home Builders' Association did, it indicated—I think it used Brampton as the example; I do not know why, but Brampton is where the study was done—that of the total cost of the home, which was around \$235,000, \$26,000 was in lot levies and taxes already, and I assume that is for sewer and water service. To add on another \$5,000 to \$10,000 is a bit much.

I was right when I was talking about the Housing budget. The Ontario government's Housing budget is less than one per cent of total

government expenditure. I think it is around 0.84 per cent. That is indeed less than a third of what it was in the late 1970s. So surely nobody should be surprised that we have a housing problem, in Metropolitan Toronto in particular, and that prices are going up all over the province, when the government is spending a third, as a percentage of government expenditure, of what it was in the late 1970s.

It is fine for the Treasurer to say that is the sweet headache of a world-class city—to be fair, the Premier said that—but if you are either doing nothing to make sure you do not have that problem, or taking action that virtually ensures it will happen, then it is not fair to blame it on external forces; perhaps even the dark, external forces that Allan Grossman used to talk about from time to time—but we will not get into that. He thought that the Attica state prison riot was caused by external forces.

In the last two years, the budget for housing of the Ministry of Housing has been underspent by \$91.6 million. I can imagine the Treasurer sitting there, getting representations from the Ministry of Housing people saying, "We need all this money. We need this and we need this," and the Treasurer saying, "Oh, geez, we can't really give you that much." But finally they give them this money and then they underspend it by almost \$100 million in two years.

What kind of housing program is that? It seems to be almost deliberate. It would be too crazy to say that it is a deliberate policy of this government to create a housing problem, but when you see that kind of thing happening, underspending the Ministry of Housing budget by almost \$100 million in two years, you wonder what they are thinking about.

The Treasurer seemed to want to talk about rent controls a while ago, but we have had a guideline in this province for rent increases. It was 4.7 per cent in 1988 and I believe 4.6 per cent in 1989. In 1988 the average rent increase granted was 11.4 per cent. So much for rent controls. As a matter of fact, just as an aside, I have a modest apartment here in Toronto. It is paid for by the taxpayers of the province, as is the case with all out-of-town members.

Hon. R. F. Nixon: How do you like Sutton Place?

Mr. Laughren: I don't live at Sutton Place.

I just received my notice of a 15 per cent increase, as well. Needless to say, I have joined the tenants' association in that building. Ron Kanter, a Liberal member, is my MPP when I reside here in Toronto. I am sure he will look

after my concerns and, more importantly, the concerns—

Mr. Ferraro: You live in Rosedale?

Mr. Laughren: No, I live at Bloor and Spadina.

The Vice-Chairman: May I just interrupt for 30 seconds, just to say that the Treasurer is probably going to be unavailable next week for estimates, depending on the House schedule. In order to be fair to all three parties, if in the next three or four minutes you can wind down, I would like to turn it over to Mr. McCague if that is possible.

Mr. Laughren: I did not know how much time Mr. McCague wanted.

Mr. McCague: You're just getting wound up, aren't you?

Mr. Laughren: Yes, I was actually just getting wound up.

The Vice-Chairman: I appreciate that, but I just want to be fair in terms of the Treasurer's opening statement of approximately 20 to 25 minutes. So far, by my calculation, you have had 20 to 25 minutes, as well. I want to be fair, given that the Treasurer may not be available and I would not want to deprive Mr. McCague of the opportunity to make his statements and/or place questions.

Mr. Laughren: The ability of this government to schedule debates around this place is abominable, Mr. Chairman. It is not your fault, personally, but it really is ridiculous. Here we are at the beginning of March, basically, debating the Treasurer's estimates which expire at the end of March. It is a ridiculous process around here. Anyway, I will try. I will not talk any more about land speculation, but it is really sad what the Treasurer has allowed to happen and his inaction.

I did want to talk about the need for the province to do something. Can I have as much as 10 minutes, Mr. McCague?

Mr. McCague: Fifteen minutes.

Mr. Laughren: Thank you. The Thomson report, the Social Assistance Review Committee report, is truly a major document in this province. The Treasurer simply cannot say things like, "Well, I'm worried about the financial implications of this report." When Conrad Black tells the Treasurer to get off his duff and do something about poverty in this province—

Hon. R. F. Nixon: You do have strange bedfellows.

Mr. Laughren: Yes, I certainly do. Politics does that to you, Treasurer. You should know that by now.

When Conrad Black is telling the Treasurer to get moving and do something about the level of poverty in this province, then it truly is in a sad state. I know that there are statistics coming out of our ears on poverty, but we do know that there are 160,000 children living in poverty in Ontario. We know that the general welfare case load has reached a 35-year high in this province. We know that the people who are living at welfare rates are very much below the poverty line.

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For example, a single, unemployable welfare recipient is at 34 per cent of the poverty line, a mother with two children would be at 39.5 per cent of the poverty line and a disabled couple with a child would be at 57 per cent of the poverty line. That is where we are in this province, the richest province.

Just as an example, a lot of these people are the working poor. They are people who are actually out there working and not earning a decent wage. The minimum wage now in Ontario is \$4.75 an hour, and at a 40-hour week, that is \$9,880 a year. That is \$1,684 below the poverty line for a single person and \$5,300 below the poverty line for a family of two. These are Statscan figures, not mine.

If you go back about 15 years to 1975, the minimum wage then was \$2.40 an hour, roughly half, and just adjusting that figure for inflation would put the minimum wage today at \$5.98 an hour whereas it is really at \$4.75, so this government has not even kept up with what the previous government had done in terms of the minimum wage, and this is supposed to be a reform-minded government.

There are people out there who are saying to the Treasurer and to this government as a whole that you had bloody well better do something about it, not in a threatening kind of way, but if we are going to have a civilized province, you have to move on that. It is simply not appropriate to have this province continue the way it is going right now.

In terms of money, every budget year this caucus lays before the Treasurer alternative sources of income, additional sources of income. We have not tried to play the game of paying for 10 different projects with the same source of money. We have laid out before the Treasurer every year—I think he would have to admit that—sources of money to carry out the programs

that we call for, and we will of course continue to do that.

This year alone, just in looking at the income tax revenues, they are up \$474 million over what they thought it would be a year ago, and the Thomson report, the SARC report, says that its recommendations would cost about \$380 million to \$450 million. The Treasurer, as I recall, says it is more than that, that he thinks it would cost around \$600 million, I think; but if you take into consideration the cost-sharing with the federal government, then it would still make it around \$300 million. Even using the Treasurer's figures of \$600 million total to the province, that would cost around \$300 million, which is less than the unanticipated increase in personal income tax revenues for the province. So the money is there, not to mention the sales tax increase.

As a matter of fact, just on personal income taxes alone this year, I think—I stand to be corrected—that there is about a \$1.5-billion increase for 1988-89. So the money is there to implement the Thomson report recommendations. There are always other ways you could spend money, but the money is there to accomplish that and it is up to the Treasurer. I have to assume that the Minister of Community and Social Services (Mr. Sweeney) is making his pitch as part of his responsibility but that the Treasurer is being tight-fisted about it.

One source of money that we have not talked about—and I will conclude on this and skip over some other material I was going to bring up—has to do with a wealth tax. This province does not have any inheritance tax, capital gains tax is a joke, and we think it is time that there was imposed in the province a wealth tax.

Let me explain that for the moment. First of all, there are a lot of people in this province not paying any taxes at all who have substantial incomes. There are right today 25,000 profitable corporations in this province that will pay no income tax to Ontario because we do not have a minimum corporate tax, and we know that could raise about \$300 million as well.

What we are saying is that if you imposed a wealth tax—and by the way, there is a wealth tax in a number of the Organization for Economic Co-operation and Development countries. West Germany, Switzerland, Sweden, Norway, the Netherlands and Denmark all have a wealth tax and I do not think anybody says that those jurisdictions are off the wall or do not care about their people. They have imposed a wealth tax, and it can vary from 0.1 per cent up to 3 per cent of net wealth.

If there were a wealth tax in the province of Ontario—and I remind you that 70 per cent of the wealth in this country is held by around 20 per cent of the population—it could both supplement and replace some of the personal income taxes that are out there now.

It would apply, as I said, to the net value, the net assets of people, and it would include things like stock portfolios, secondary residences, real estate property, business holdings, etc.; not on principal residences basically, unless they happen to be castles or something like that, or on household contents, cars, appliances, things like that.

If there were a tax imposed, even if it were 1 per cent, which is not going to exactly jolt the pillars of our establishment, it is estimated that that could raise revenues of about one billion dollars in the province. But more than that, I think it would send out a signal that in this society of ours, it is not simply income that we tax—because we know how income can be hidden. We know that extremely well, that you can have an extremely wealthy person or family with virtually no annual income.

Because of our provincial income tax structure—the last numbers that I saw showed that people in Ontario who earn \$85,000 a year in income pay less in provincial income tax than in any other province in Canada at that income level. What I am saying is that it is time that the tax structure in this province were changed, and there are a number of ways of doing that.

The time this morning does not allow for a really good presentation in that regard. But there is no question that there is a fair source of revenue out there to do for Ontario people what most of us would like to see done, but which a lot of us say is simply too expensive to do. The Treasurer is one of those people who says, “We’d like to do so much for everybody, but there’s simply not enough money.”

I guess if there is not enough money there to have a more just economic system now, at this time in Ontario’s history, then stand on your two hind legs, Treasurer, and say there never will be, because if we cannot do things like implement the Thomson report now, we never are going to do it. The revenues are there for us to simply sit back and watch what is happening without doing anything about it, and I find that really offensive. It is not appropriate. This government has simply got to live up to its promise of reform.

Quite frankly—and we joked about it before—I think I understand where Conrad Black is coming from. It does not serve the establishment of this

province well to have the level of poverty increasing the way it is and to have what is happening in our cities, like in Toronto. I do not want to belittle what Mr. Black said. I think I understand where he is coming from and I think the Treasurer and the Premier have simply got to take a serious look at this budget.

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I do not know where the budget process is at now. I would be interested in knowing to what extent it is still open for change and to what extent the decisions are already made and locked in. I do not know that. The one thing I cannot stand about the Ministry of Treasury and Economics’ public service is that I never get any brown envelopes from there. They are a reprehensible lot. But I would be interested in knowing from the Treasurer at some point, if not this morning then some time, to what extent the process is still open.

This committee has had prebudget presentations for some time now and I gather they are going to continue. I get nervous sometimes about whether that is simply a charade, that everything has already gone on over there in those government offices and that everything is locked in: “We’ll let those elected persons hear presentations and debate with each other. In the meantime, we’ll get on with developing our budget the way we’ve already determined.”

I do not know that and I am not accusing that, but you cannot help but wonder, as an elected politician of any party in this province, to what extent hearings like this affect the process. I would be interested in knowing to what extent the Treasurer is still open. I know at some point it has to be locked in, for obvious reasons, but I would be interested in some kind of response at the appropriate time from the Treasurer on some of my remarks.

The Vice-Chairman: The Treasurer would like two minutes before Mr. McCague. I am going to try and hold him to the two minutes.

Hon. R. F. Nixon: It is really in response to the last question. The budget is open and we are getting advice and recommendations from many sources, and this committee is an extremely important one. Obviously, Floyd Laughren, as critic for the New Democratic Party, and I have a different political approach, but there is no doubt that the views expressed here by all members of the committee are significant. I do not want to be defensive in responding to them.

For example, your comment about a wealth tax is quite an interesting departure. It has been discussed by other people over a number of

years. Actually, Eddie Sargent, a former colleague of ours, used to talk to me about that all the time and it is a good idea. We will be thinking about that.

Just in this connection, the year after the Progressive Conservative government imposed the land speculation tax, housing starts dropped by 22 per cent, from 110,000 to 86,000.

Mr. Laughren: Where are they now?

Hon. R. F. Nixon: We just got about 99,900 in 1988. That is the point.

As to your comments on the Thomson report, you certainly talk about that with feeling, you and Conrad. I do not want to downgrade that, because there are many intelligent people like you and Conrad who are urging us to implement this and it is certainly something we are carefully considering as we come up to the budget.

Why should the Treasurer not talk about the cost? It would double the cost, and I have to think about that. For a mother with two children in this jurisdiction, we do not give her enough but we give her more than any other province in Canada, which really means we give her or she has available as a right to her probably more than any other jurisdiction in North America. I would agree with you that it is not enough. It is about \$1,000 a month, which is not enough if you are raising two children, but it is more than anybody else is giving.

I think we have to improve that, but for the community to get the impression that somehow or other the heartless attitude of this government is putting people out there without homes and in poverty, without food, without education and without medical care is simply not correct. I know you do not want to give that impression, but the idea that somehow we are stuck back in the Marie Antoinette era I simply cannot accept. I hope that sensible people would agree with me that we are doing well and we must do better. I just wanted to say that for the two minutes.

Mr. McCague: As the Treasurer will know, I am not his critic in the Progressive Conservative Party but filling in for Mr. Pope today.

Hon. R. F. Nixon: Whatever happened to Mr. Pope?

Mr. McCague: I will discuss that with you later.

Mr. Laughren: And with Mr. Pope.

Mr. McCague: I welcome the opportunity to meet your staff, a staff you have come to admire, which was not necessarily the case prior to your taking over the Treasurer's job in Ontario.

Hon. R. F. Nixon: Not so.

Mr. McCague: You are a very interesting gentleman. You get very upset when we read back to you the things you said during that first 10 years I was here. It makes very interesting reading, and some of the comments were directed at Treasury.

One of the things I think is lacking in your approach to your position is any type of blueprint for the future. As I recall, there were studies for various areas of the province, the Toronto-centred region, which admittedly lay on the shelf for a while but now are coming into fruition. We have not really heard your opinion on any studies on whether there should or should not be further regional governments, unless we go back into the Hansards of pre-1985.

Another example of the fact that you may not be putting out sufficient information was when I asked about the first part of the Thomson report, the SARC report, and whether there was any cost-benefit analysis. That seemed to be absent. Surely if Mr. Laughren and Mr. Black and many, many others are recommending to you that at least some of the Thomson report should be implemented, we on the standing committee on finance and economic affairs should be able to get that information from your officials as we consider our recommendations to you on your budget. While you do put out your fiscal overview in your budget, in my personal opinion, it is not clear where you and Mr. Peterson are leading us as a government.

As you know, I had the opportunity of being Chairman of Management Board for some seven years, working very closely with the Treasurers of the day and going through a period which was very difficult from a financial point of view, the downturn in the economy. You have been very fortunate in being Treasurer while there was an upswing.

There are a lot of people who, on the one hand, want money from you and, on the other hand, think that you are spending too much, that you should be providing for a rainy day which might even happen during a Liberal administration. To the average person, your plans for the future seem to be lacking. You may well want to bring us up to date on those matters.

I have tried several times over the past four years, unsuccessfully I must say, to try to get you to admit how much money was going into hospital capital, for instance. As I recall, early in your stewardship you announced that you were going to put \$850 million into hospital capital

over the next five years, and somehow that very quickly got stretched into seven years.

The question I have been asking is—there had been about \$170 million a year going into hospital capital prior to your taking office—was the \$850 million five times \$170 million which got stretched to seven years, or was the \$850 million in addition to the amount that was going in previously over a five- or seven-year period? I do not recall your answering that particular question at any time. You might wish to do that today.

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In the area of housing, there have been some interesting developments over the past week, when we have had the Minister of Transportation (Mr. Fulton) telling us that people are spending too many hours on the road. They are living in outlying communities and commuting daily, and this is not healthy either for the people driving the cars or for community involvement by those people wherever they have chosen to live. You know why they are driving from Tottenham, Beeton, Alliston and Barrie into Toronto. It is strictly the cost of housing. They have had to go there if they wanted to fulfil their dreams of home ownership.

On the other hand, to have the Minister of Transportation saying these negative sorts of things does not quite seem to make sense. I know that you are trying to encourage industry to go to these municipalities in order that the communities be more self-sufficient. That is an honourable goal and you have had some success in it. But I think it is a very odd situation where you have the Minister of Housing (Ms. Hošek) not spending the money that she has for assisted housing and the Minister of Transportation, although he does not have the same relative amount of money as he had a few years ago—the Treasurer will want to argue about that, but if you deduct the money for the Skyway bridge he is actually getting less money than he was five years ago.

Another point where you can catch the Treasurer up the odd time is on what he said previously and what he says today. The most interesting one that I have heard recently is the one where, when the Treasurer is cornered on any deficit he might have, he says this deficit is being incurred because the benefits of capital construction, highways, whatever it is, accrue to a generation yet to come and it would not be fair for this generation to pay for the next generation. After all, everybody has a mortgage on his house, so does that not seem like the way

government should operate too? Does the Treasurer recall what he said about those kinds of things about seven years ago?

Hon. R. F. Nixon: Whatever it was it was probably pretty good, but you have to give it in context.

Mr. McCague: You now have it in context.

On the prebudget consultation, the member for Nickel Belt (Mr. Laughren) has referred to the fact that it is not really the Treasurer's fault; he used to be the House leader and things used to run pretty well around here, but something has gone all to the dogs in recent months.

Here we are trying to do prebudget consultation, which was an idea of the Treasurer's originally. Respectfully, I say to him that he decided it was better to have a committee of the Legislature listening to everybody who wanted to complain about his budget than to do it himself, so we are the recipients of his good graces in that matter. But we are not given the time to do it.

The biggest problem with that is the government. The government orders the business of the day and is not giving us the time to do that job properly. Of course, the bulk of what we have been hearing so far is about the Social Assistance Review Committee report, but there are a lot more people who want to talk to us.

I agree with the Treasurer when he said in his opening remarks to us, "If the standing committee on finance and economic affairs," which is this committee, "is going to recommend to me increases in the neighbourhood of \$10 billion, there really is not much use recommending anything." I agree with the Treasurer on that. I hope the report that comes out of this committee does recommend things that we as a committee think must absolutely be done but that are within the means that we think the Treasurer has. I hope you will speak to the Premier and to your House leader to try to arrange for this committee to get the kind of priority you think it deserves.

There are some disturbing developments in the way your government operates. You know well that the previous government worked hard to get the number of civil servants down to what was perceived to be a manageable level. I always found the civil servants to be excellent, any whom I had to work with in eight years in cabinet, but the public, unfortunately, sizes up the civil service by the person one gets on the phone the first call one makes. Of course, that does not get you to the people who are able to solve the problems in a lot of cases.

You have had the reins now for only about four years and you have increased the number of civil

servants by about 10 per cent in that time. You would like to tell us that you got rid of the secretariats and incorporated those into ministries and that this was a staff saving and a money saving. Really, that is not so. You have more in cabinet than there were previously and as ministers you have much larger staffs.

Since a lot of the people label you as the parsimonious old farmer from St. George, I would have thought you would have had the clout to stop those fellows in cabinet from doing the very kinds of things that you thought were terrible when you were sitting on the same side of the House as I presently sit, but I guess that is not the case. It is a funny world, is it not?

I will let you off with that. One question just comes to my mind: Are you active on Management Board or do you leave that to the chairman?

Hon. R. F. Nixon: Let's start at the end. I am not active on Management Board. For the first three years, I was certainly attending all the Management Board meetings and involving myself in those deliberations. I found myself acting chairman for quite a lengthy period, about 15 months, I think. After Murray Elston became the chairman, I stayed on for a transition period, but, frankly, I felt that, first, I was too busy to take on that Tuesday morning meeting, which is often three hours long or longer; and also that while I think the Treasurer should have the right to attend, still the report from Management Board comes to cabinet on the Wednesday following the Tuesday meeting and it is there, really, that the Treasurer's view on implementation of approved plans is better expressed.

Certainly when I took over as Treasurer, the then deputy told me that my predecessors did not attend Management Board, although they had the right to do so and were normally designated as vice-chairman. I have come to the same conclusion that they did, that it works quite well if you do not attend each meeting. We have enlarged the size of Management Board, I believe to seven or nine. It is a bit bigger than it was, so there are a number of my colleagues who are involved in the discussion.

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Frankly, I felt that for the first three years of being Treasurer it was a great education to be on Management Board. I used to be Management Board critic when my good friend Mr. McCague was chairman. I used to give him advice at that time. So it was quite good.

The numbers of civil servants certainly have gone up. The numbers of programs have gone up as well. It is hard for me to find a defence that is

going to make Mr. McCague nod and say, "That's all right then." But there are a number of ratios that come out in our favour, particularly if you compare the numbers of civil servants with the costs of the programs they administer. The honourable member would know that the expansion of these programs has been carefully considered and their costs tightly controlled. At the same time, those ratios would indicate that for the size of government the numbers of administrators is not far off, as a matter of fact it may be a bit less, than what it was during the old regime.

Interjection.

Hon. R. F. Nixon: I thought I would try that one, anyway. Having dealt with that, I would like to go on to a couple of other things.

Mr. McCague said the reason people live in his constituency rather than in Toronto is because of the high housing prices in Toronto. I cannot believe that is true. I work in Toronto every day and you could not pay me to live here. As a matter of fact, Mr. Laughren said all the out-of-town members have apartments here. That is not true. I do not have one of those. I just think it is not necessary for me. Of course, I do not come from Sudbury, but I really do believe that many people make the choice of living outside the Metropolitan area and are quite prepared to suffer the depredations of commuting.

We have improved the GO system substantially. I think the honourable member would be interested to know that we have recently bought 80 cars at about \$1.2 million per car.

Mr. Kozyra: Per car?

Hon. R. F. Nixon: Per car. They are built in Thunder Bay, I say to Mr. Kozyra.

Mr. Laughren: Do you come in on the GO train?

Hon. R. F. Nixon: I do not come in on the GO train, although it is substantially subsidized by the taxpayers in an effort to see that it is properly utilized.

As far as decentralizing the growth pressures is concerned, the government has just now maturing a decentralizing program that moved 1,600 permanent, well-paying jobs into northern Ontario. For Mr. Laughren from Sudbury to say there is nothing up there but mining and forestry is really selling Sudbury a bit short. I have always found it a very attractive town with a wide variety of interests and activities. Even the federal government has moved its tax—

Mr. Laughren: For the entire province who are watching this debate this morning, I never said that is all that is up there. The Treasurer knows that. Stop being so silly.

Hon. R. F. Nixon: Ask my colleagues. He said it quite clearly. I wrote it down. I thought, "That's a strange thing for a member from Sudbury to say." I have stayed in Sudbury at the Nickel Range and Coulson Hotel. I know those places. Actually, with the profits in the—

Mr. Laughren: When is the last time you were in Shining Tree?

Hon. R. F. Nixon: I have been in Moonbeam and Ear Falls and a lot of those great places. They are great places.

The Liberal government has moved permanent jobs into the north. I think all the northern members of all parties have indicated that is a good thing. The cost of doing that is certainly not small. The cost is very great indeed. The idea of decentralizing is quite important. This is happening as a result of government policies to some extent, but it is mostly happening because of the good judgement of business and industry that understand how difficult it is to expand, particularly in the downtown area of Toronto.

Mr. McCague started his remarks by saying that he felt there was not sufficient planning for the goals of the government, and others have made that criticism as well. I do not accept it. I believe, for example, that the throne speeches are a given indication of our planning. The budget, year by year, indicates our economic plan, but more than that, the Premier has taken the leadership with the Premier's Council—

Mr. Laughren: How much money did he spend?

Hon. R. F. Nixon: The Premier's Council is spending \$100 million a year—a bit more this year, actually.

Mr. Laughren: Look at your own statement of finances; you are not spending it. Do not quote me.

Hon. R. F. Nixon: If you have the idea that the Premier's Council budget is not being spent over the life of that plan, I will tell you that we are feeling expenditure pressures on me as Treasurer that indicate we are losing a certain degree of flexibility. I would see a requirement that more money be allocated in the next few years. This is a \$1-billion program over 10 years, with the Premier's personal leadership, to be sure that our education system and our manufacturing and service sectors are going to be competitive as far as the whole of world markets are concerned.

The Premier's indication there has been quite clear, and it really does not seem to me to be valid for anybody to suggest that the government is not moving forward with its policies directed by goals and plans that come from the leader of the government himself.

I am very proud to be a part of that Premier's Council. It is a great experience indeed. Admittedly, it is time-consuming. It is a very valuable experience.

Mr. Laughren: On a point of order—

Hon. R. F. Nixon: A point of order? You are not going to make a speech, are you?

Mr. Laughren: No, I am not going to make a speech. I am sure the Treasurer might want to correct this himself.

On the technology fund we all know the budget is \$100 million a year for 10 years for a total of \$1 billion. In 1988-89, it is anticipated to spend \$59 million for a shortfall of \$41 million. Last year, you spent even less than that. I think the Treasurer needs to correct the record about the technology fund.

Interjection.

Hon. R. F. Nixon: Of course, that is my own report.

Let me make it clear that it is a 10-year plan and the Premier's Council itself has been spending almost a year in developing the plan. The expenditures are just getting going; in a 10-year plan why should it be spent at \$100 million a year? That is a good budgeting mark.

Mr. Laughren: I am not the one who said that. You are the one who said it, not me.

Hon. R. F. Nixon: Okay.

The Vice-Chairman: Let the Treasurer continue and then we will get into—

Hon. R. F. Nixon: I will hand you one and I will never again say you do not like Sudbury, even though I am not sure whether you do or not.

Mr. McCague also mentioned the Thomson report. This is a matter of a lot of discussion and important concern and review by many people. He indicated he was surprised that there were not sufficient cost-benefit analyses available to him. He suspects they are not available to me since he could not get them either.

The cost-benefit analysis is really part of the report itself. I think it is about stage 5 of the \$2-billion program. It is about a \$2.3-billion additional cost that is designed to assist people in getting off the welfare cycle and into productive involvement in business and industry. Everybody would like to do that. Certainly the people who are in receipt of welfare benefits want out of

those. They want productive jobs themselves. Any program that is going to foster that has costs that can be measured in dollars but also has social benefits of a very high degree.

There are many aspects of this, as well as simply the sufficiency of the funding that comes to people in need during those periods when they have to be assisted. I would not for a moment indicate that we feel it is sufficient, but I say again, and I do not want to sound defensive, that in many areas, if not most areas of the various categories, Ontario leads all the provinces. I do not want anybody to feel that I feel this is sufficient, but at least we are leading.

It is also interesting to note that the budget of the Ministry of Community and Social Services has been growing during the three, now almost four years since I have been Treasurer, at a level averaging over 12 per cent. As a matter of fact, this year it may grow close to 14 per cent. This is a very rapid rate of growth, right up there with the Ministry of Health.

I think it was Mr. Laughren who said we have more people on the welfare rolls now than at any time in 35 years. I forget just what the comparison was. I was aware of the very high levels, but I was not aware they were the highest in 35 years or whatever he said. It really makes an impact, when we consider the level of economic growth and buoyancy in this province, that the welfare rolls are growing. It is in that area where you say, "There's something wrong with this." The Thomson report attempts to come to grips with that and does come to grips with it in a very useful way.

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Mr. Mackenzie: On that same thing just for a second, was the point also made and is the minister aware that many of the traditional arguments against some of the implementation of the Thomson report or whether this is a legitimate need were blown apart by Thomson and his report that over 40 per cent of the people involved are children when we talk about these large numbers?

Hon. R. F. Nixon: Of course that is right and that is a very sensible way to put it forward. Only the family allowance program at the federal level has moneys directly allocated to the children, although naturally mother's allowance—as it used to be called; it probably has a better name now—and support for single mothers obviously are directed at the children under those particular mothers' care. I certainly do not want to cut off any discussion on the efficacy of the Thomson report and I expect this committee might very

well give a recommendation associated with it, which would be useful. Certainly we have to consider that.

Mr. McCague also asked specifically about hospital capital. In answer to the question he feels has not been answered, our projection of \$850 million in capital over five years would not be in addition to the amount of money the previous administration was committing to hospital capital, which was very large. The five became seven on the basis that the construction had to be started in five years and could be completed in seven, depending on the planning of the local hospital board.

The deputy has told me that the most useful statistic is that since we have taken office about \$800 million has been spent on health capital, which really means we are well on our way to achieving that \$850 million. Once again I am not saying, "We've spent that; that is enough," because the hospital board in Brantford would not be very pleased if it heard me say that. I understand that in Orangeville there is a certain feeling that more money could be spent in a useful and productive way. My colleague there has brought that to my attention. But we have made substantial capital commitments.

At the same time, in education—you did not ask about it, but it is similar—the capital commitment has gone from under \$80 million a year to \$300 million a year. The pressure is still mounting for new schools and the numbers of portables are growing, not decreasing, even with that huge additional commitment.

That has led me to produce a policy paper asking for views on the possibility of extending the numbers of schools you get for that kind of money by increasing involvement at the local level through lot levies and alternatives, which are part of that paper. The honourable members would be quite familiar with that. We are now getting responses from school boards, councils and other interested people about that, and that is one of the decisions that would lead up to the budget.

I think there may have been other specific matters raised by the two honourable members, but perhaps it would be better if I stopped and we used the remaining time for other questions.

Mr. McCague: I was going to raise the issue of lot levies. You said the comments you are getting on that are interesting. The fear, of course, is that with the institution of any lot levies in the municipalities throughout Ontario the lot levy money is a replacement for money you are presently putting into the system.

Hon. R. F. Nixon: Can I just respond to that because it is quite important?

Mr. McCague: Yes.

Hon. R. F. Nixon: I have said we have gone from \$80 million in 1985 to \$300 million now, with a commitment that it will be that for three years. Part of the policy paper is that the average support for capital at 75 per cent will be reduced to 60 per cent. The purpose of that is to build more schools, not to save provincial Treasury money. We are going to be spending more, not less.

There is no doubt about that, particularly as the baby-boom echo, as I think it is called, moves through the school system. Of course, the demography of the province has changed quite dramatically as more and more people move into the area around Metropolitan Toronto and into Oshawa, the Ottawa area, Hamilton, London, Thunder Bay, Sudbury and so on. The demography is changing. The alternative is to buy a bunch of school buses, but we think it is better to have proper, modern schools in the communities where they are required.

Mr. McCague: Just one other thing: Maybe the Treasurer would like to tell us what his thinking is today on the national sales tax.

Hon. R. F. Nixon: Actually, I was a bit facetious when I said I have been on both sides of the issue because it is interesting that comments I make are often interpreted in different ways by reporters. Everybody in the room on the committee knows that can happen. My views have not changed. My views have generally been to recognize the usefulness of the abandonment of the present federal sales tax, which is at the manufacturing level.

Mr. Wilson has called it the silent killer of jobs or something like that, which really means that when we go to export goods with a 12 per cent sales tax on it, the goods—it could be services in the future—go into world competition 12 per cent above what their actual price is. Other countries that have value added taxes have exports that are free of that tax. For us to go in with a 12 per cent collar around our neck really means that our competition is reduced. So it does kill jobs. There is no doubt about that.

It is Mr. Wilson's intention to do away with that 12 per cent tax at the manufacturing level and replace it with a smaller tax—at least at a lower rate—on a much broader base on a value added basis, right through the whole economy. Personally, nobody likes to favour any taxes, but he has said the revenue is going to be equal over the

whole tax system. I can see that for competition that is going to be of great value.

In my view, and not everybody would like to hear me say this, Ontario will benefit from that particular aspect more than any other province, but that does not mean our people will be paying any less tax. That is where the political concern that would give rise to debates here and in the assembly will occur. Whether we are going to go in or not is definitely not yet decided. I have said a number of times that while our sales tax is unpopular, it is productive. I raised it by just a minor one per cent last year. As somebody has mentioned, this means that our revenues increased by about 24 per cent. At the third quarter report, we expect that our revenue targets are going to fall very slightly short—by \$30 million or \$80 million?

Mr. Gourley: It is \$50 million.

Hon. R. F. Nixon: It is \$50 million. We are going to be short by \$50 million, which in a revenue projection of close to \$8 billion is pretty close to spot on, I say in the presence of the people who made the projections. So it is very productive. Politically, it has its downside. We used to call it the Robarts tax and the Davis tax. Now some people are saying, "Here is the money for Nixon." I can stand that.

Mr. McCague: The Nixon grab.

Hon. R. F. Nixon: Yes, the Nixon tax grab; great.

Mr. McCague: However, you have raised it from seven per cent to eight per cent, which is 15 per cent.

Hon. R. F. Nixon: Well, anybody can fool around with numbers. A lot of people think seven to eight per cent is one per cent.

Mr. Laughren: Very briefly, there was an extensive interview with the Treasurer in one of the newspapers in which all the arguments he put against the sales tax were political arguments about timing, that it would not be good to do it in a provincial election year and so forth. I found it passing strange that this would be the basis on which he would do that, according to that interview. I know that just because it is in quotation marks it does not necessarily mean that every word—

Hon. R. F. Nixon: Was that where the heading referred to me as the Liberal Answer-man?

Mr. Laughren: Yes.

Hon. R. F. Nixon: Oh, yes; right.

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Mr. Laughren: I had a question for the Treasurer, to go back to housing prices in Metro and elsewhere. Is the Treasurer prepared simply to ride it out? Is that what his game plan is?

Hon. R. F. Nixon: I would like to bring to the honourable member's attention that more people in this province have been put into their own houses in the last three years than at any time in our history, although there was a time in the 1970s—

Mr. Laughren: There are more people in the province.

Hon. R. F. Nixon: That is fine, but you see we are housing people using the resources of the private sector in a very efficient and effective way. This is backed up by the excellent programs of the Ministry of Housing and the excellent leadership of my colleague the Minister of Housing. You say she is not using all the money available.

Mr. Laughren: It is true.

Hon. R. F. Nixon: That is because they are very carefully planned programs and they are moving forward in a very effective way to produce social housing right across the province.

Mr. Laughren: I see. That is interesting.

Hon. R. F. Nixon: He can scoff at it, but I believe they are doing very good work indeed. I feel the whole program is working very well. I have said, and it does not give any comfort to the honourable member other than that he thinks he is pushing me off the dime a little bit, that all of these matters are under review and discussion. I said at the beginning that is not just a cheap, empty, political phrase.

There are people here who send me stuff and we discuss it. They send me stuff that I can read to you and that you can apply for through freedom of information four or five years from now if you want.

Mr. Laughren: Boy, do I feel better about the whole thing now.

The Vice-Chairman: Mr. Kozyra.

Mr. Kozyra: I have three questions. I will pose them in—

The Vice-Chairman: You are going to get one question. We also have Mr. Haggerty.

Mr. Kozyra: One question: It has been touched on and I think it is extremely important. That is the whole question of cost-benefit analysis. Most of the presentations that come before us from advocacy groups have excellent specific concerns and presentations. What many

of them lack is this ability to draw on the vast figures and compute the cost-benefit analysis to strengthen their arguments. Those would certainly help us.

The Social Assistance Review Committee recommendations were touched on. I am a firm believer in those and will be speaking on that further.

I think that kind of information and that kind of analysis is extremely important in decision-making and should be part of all these presentations. If these groups do not have the resources to put that analysis before us, they should, at some point, be made available to this committee, because I think the best decisions are made in that framework.

Just sliding off from that is the question of the deficit. It has not come up, but the federal government is concerned about it. It is talking about cutting it in half. That will have implications for us. Do we have a magic cutoff point for our own deficit, whether it is an absolute number or a ratio compared to revenues?

Hon. R. F. Nixon: The cost-benefit analysis for Thomson is really essentially contained within the report. Particularly for getting people off welfare and back to working, they indicate it pays for itself in four or five years, something like that. We have reviewed that sort of thing, but we may not have the numbers of the type you expect or would like. We have to base it on that, as well as the approach of the Ministry of Community and Social Services, and there we are.

As far as having goals for our deficit is concerned, the only rule of thumb is that as long as the economy remains buoyant and we are not moving into a recession or something like that, we expect our year-by-year deficit to be reduced year by year. We have reduced it something like 38 per cent—that is the deficit, not the debt—year by year since we took office. The ratio is a good one. What is that 11 per cent, Mike?

Mr. Gourley: Public debt interest as a proportion of expenditures.

Hon. R. F. Nixon: Public debt interest as a proportion of expenditures, at 11 per cent is reducing and we feel we are in reasonably good shape. Our current account is balanced, with a surplus of well over \$1 billion. That really means our borrowing goes to support our capital commitments, building university buildings, roads, bridges and environmental structures, sewage, waterworks and so on.

We are paying almost half of that now—not quite; between a third and a half—from our

regular cash flow, so we think that basis is reasonable. It is not for me to be critical of what is happening in Ottawa. They have had substantial deficits, very large debts for the last numbers of years. I cannot blame all that on Michael Wilson or his policies, but he has the responsibility to clean it up. My only concern is that in his efforts to clean it up in a hurry he might say that federal support for medicare and so on should be reduced. That would be a disastrous situation as far as we are concerned.

The Vice-Chairman: Mr. McCague has a supplementary.

Mr. McCague: I move we adjourn.

The Vice-Chairman: Oh, okay. Just before we adjourn, let me say that I am probably going to call the steering committee meeting for right after routine proceedings once we have some idea from our House leaders what our schedule is for next week.

The committee adjourned at 11:56 a.m.

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